3 Stocks I'll Buy if the Market Continues to Drop

Description

During market downturns, investors should consider loading up on dividend stocks. It has been shown that dividend stocks tend to suffer less-severe declines during market downturns. One reason behind this phenomenon is that dividend companies tend to be more mature businesses.

In addition, they tend to be companies that operate in industries that are required for normal economic operation. For example, the utility, railway, and banking industries are abundant in dividend companies. Here are three stocks I'll buy if the market continues to drop.

We will always need utilities, regardless of what happens in the market

No matter where you live, there's a good chance that you'll need to use gas or electric utilities at some point throughout the day. Therefore, companies that provide those utilities shouldn't see any massive declines during market downturns. That may be why **Fortis** (TSX:FTS)(NYSE:FTS) has been able to continue raising its dividend in each of the past 47 years. The company provides regulated gas and electric utilities to more than 3.4 million customers in Canada, the United States, and the Caribbean.

Fortis may not be the most exciting business to hold in a portfolio, but investors can't argue its success. Over the past five years, Fortis stock has managed to return 85.16% when accounting for dividends. That represents an average annualized return of 11.31%. Over the same period, the **TSX** has generated an average annual return of 7.95%. Fortis also offers an attractive forward dividend yield of 3.82%.

The backbone of the economy

The railway industry doesn't get as much attention from investors as it should. The economy, and the country in general, wouldn't be as successful as it is had Canada's railway networks not been established. In Canada, the industry is dominated by two massive companies, giving those two businesses a massive moat. Of those two railway leaders, I tend to think more highly of **Canadian Pacific Railway** (TSX:CP)(NYSE:CP).

The company owns about 20,100 km of rail. Canadian Pacific's network stretches from British Columbia to Atlantic Canada. It also has track within much of the northern United States. What I find very attractive about this company is its continued commitment to growing its network and its goal to become more carbon neutral. These focuses indicate that the company is very forward-thinking. Canadian Pacific is a new addition to the Canadian Dividend Aristocrat list this year and offers a forward yield of 0.91%.

Canadians are already big fans of this industry

When it comes to investing in a dividend stock, many Canadians often turn to the banking industry. This is because of the highly regulated nature of the Canadian banking industry. These regulations make it very difficult for new competitors to enter the scene and helps the leaders maintain a solid moat. Of the Big Five banks, Canadians really could take their pick of any company and remain confident in their choice. However, if pressed, investors should consider **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

This is a company I once held in my own portfolio. Royal Bank is a Canadian Dividend Aristocrat, having increased its dividend for the past 10 years. It also offers investors a very attractive dividend yield of 3.43%. With its low payout ratio of 40.72%, Royal Bank could continue to increase its distribution over the coming years. Although this company isn't in my portfolio today, don't be surprised if I decide to turn to this company should the market continue to fall.

CATEGORY

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